

# CFPB's FIRST LOOK AT "BIG 3" CREDIT BUREAUS OFFERS NEW STATS

from The Privacy Times

The Consumer Financial Protection Bureau's first report on the "infrastructure" of the "Big Three" credit bureaus Experian and TransUnion "didn't make much in the way of news, but it did provide some worthwhile nuggets about an industry that has been criticized for its lack of transparency.

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var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];
s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
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})();
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po.src = 'https://apis.google.com/js/plusone.js';
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})();
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Due to its new-found oversight of these largest "nationwide consumer reporting agencies" (NCRAs), the CFPB apparently was able to coax them into disclosing information about their operations that previously wasn't public. (For a copy of the report, go to: [http://files.consumerfinance.gov/f/201212\\_cfpb\\_credit-reporting-white-paper.pdf](http://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf) )

Each NCRA has a consumer database with over 1.3 billion active consumer accounts, known as "trade lines," the bulk of which are furnished by financial institutions.

Approximately 40% of all trade lines of an NCRA's files are bank card trade lines. Of the remaining trade lines, 18% come from banks that issue retail cards, 13% are accounts in collection reported by collections agencies and debt buyers, 7% from the education industry, 7% from sales finance providers (e.g., closed-end loans including auto loans), 7% from mortgage lenders or servicers, 4% from auto lenders, and 4% from other unspecified creditors, according to the report.

While the Big Three receive trade lines from approximately 10,000 furnishers, a small number of very large institutions

dominate: the top 10 furnishers provide approximately 57% of the trade lines, the top 50 furnishers provide 72% of the trade lines, and the top 100 furnishers provide 76% of the trade lines in the NCRAs'™ databases.

An estimated 44 million consumers obtained copies of their consumer file disclosure annually in 2010 and 2011 " either as a result of obtaining free annual file disclosures through [www.annualcreditreport.com](http://www.annualcreditreport.com) (15.9 million); through one of many various credit monitoring services (26 million); or obtaining disclosures directly from the NCRAs after receiving adverse action notices or risk-based pricing notices (approximately 1 million); or from lenders directly or through fraud alerts, requests based on unemployment or welfare status, and where free under state law (approximately 0.5 million for this catch-all category).

In 2011, the NCRAs received approximately 8 million consumer disputes over accuracy of completeness of one or more trade lines, public records, or the identifying data in the "credit header." The CFPB extrapolated that the number of credit-active consumers disputing in 2011 ranged from 1.3% to 3.9%. On average, consumers filed 42% of their disputes online, 44% by mail, and 13% by phone. Many of these consumers disputed information about more than one trade line or other item in their file, leading to approximately 32 to 38 million dispute reinvestigations by the NCRAs.

This volume has declined significantly since 2007 when consumers were more active in applying for credit, particularly in the mortgage market. In 2007, a high volume year, the NCRAs received disputes on 47 to 53 million items, the CFPB noted.

"The number of consumer dispute requests (8 million) appears high relative to the total number of consumers who see their credit files (44 million). However, the CFPB is unable to estimate a dispute rate for consumers who see their files for several reasons. First, no data is available on the overlap of disputes by consumers among the three largest NCRAs. Thus the range of unique consumers who filed complaints could be up to 8 million or substantially less if high volumes of consumers filed complaints with multiple NCRAs. Second, it is unclear how many consumers obtained copies of their credit reports or file disclosures by more than one means in a given year. Additionally, an unknown number of consumers may initiate disputes without their reports after being advised by lenders of specific negative items appearing on their reports," the report said. Here is how they broke out:

#### Industry Type

#### Disputes/Year per Active Trade Line

#### Bank Card and Retail Card

0.17%

#### Finance Companies

0.19%

#### Mortgage

0.21%

Auto

0.27%

Student Loans

0.29%

Collection/Debt Buyers

1.06%

Collection trade lines generate significantly higher numbers of consumer disputes than other types of trade lines – four times higher than auto and five times higher than mortgage dispute rates. Collections and delinquent trade lines also reflect a disproportionate percentage of all accuracy disputes by consumers with the NCRAs. Almost 40% of all consumer disputes at the NCRAs, on average, can be linked to collections, the report continued. The CFPB said that since collections were always negative, consumers had a greater incentive to dispute information in a credit file that harms their credit record than information that favorably reflects their ability and willingness to pay back a loan.

Here’s the breakout per size of creditor, which is known as a furnisher.

Furnisher Size

Average Percent of Trade Lines Disputed per Year

Top 10

0.20%

Top 11-25

0.26%

26-50

0.35%

51-100

0.47%

The NCRAs handle most consumers' trade line disputes they receive through an electronic information network called e-OSCAR (the Online Solution for Complete and Accurate Reporting), launched in 1993 by the predecessor of the industry trade association, the Consumer Data Industry Association (CDIA). Four companies built and still own e-OSCAR – Equifax, Experian, Innovis, and TransUnion. The current Internet-based system was created in 2001; the CDIA created the Online Data Exchange (OLDE) in 2006 to independently operate the system. In 2011, 16,000 furnishers connected to these companies through e-OSCAR.

In the last three months of 2011, 33% of e-OSCAR disputes related to claims by a consumer that an account in their file did not belong to them, either because of error or identity theft. In another 15% of disputes, consumers claimed the information on a trade line was inaccurate. About 4% of consumer disputes involved the reporting of a consumer's current account balance, and another 4% of disputes involved collections items about which consumers claimed not to be aware, CFPB reported, citing industry figures.

One NCRA reported that approximately 16% of disputes do not result in an e-OSCAR transaction because, it claimed, the consumer previously submitted an "identical" dispute, and the NCRA had recently forwarded the dispute to the furnisher, which supposedly had investigated and verified the data. (Privacy Times is aware of several cases in which consumers with legitimate disputes got this response, but didn't get errors corrected until after they filed a lawsuit.) The NCRAs resolved or rejected an average of 15% of the disputes they received in 2011. The CFPB said it did not know what percentage of these resolutions was in the consumer's favor.

Critics state that a major weakness in e-OSCAR is that it doesn't permit NCRAs to forward the consumer's supporting documentation (like a photo ID with a signature in an identity theft or "mixed file" case) to the creditor that furnishes the derogatory, inaccurate data. The NCRAs argue they still aptly describe the consumer's dispute to the furnisher by adding descriptive detail in a "free-form" box included in the dispute transmission, which is known as an "ACDV" (Automatic Consumer Dispute Verification)

However, in 2011, text was added to the free-form box, on average, in 26% of the NCRAs' e-OSCAR transmissions, the CFPB reported, again citing industry-supplied figures.

The CDIA reports that in a recent 120 day period in 2012:

- 22% of furnisher responses indicated that the initial data was accurate (rejecting the consumer's claim), [Editor's comment: In fact, furnishers typically tell NCRAs that the disputed information is "verified as reported," but don't need to attest to its accuracy.]

- 61% of furnisher responses modified a trade line or other piece of information, [Editor's comment: Such modification often results in only minor changes, and permits the derogatory, disputed data to remain.]

- 13% deleted a trade line or other piece of information, and 0.5% deleted a trade line or other piece of information due to fraud.

- The NCRAs deleted or modified, as indicated by the consumer, 4% of disputed trade lines because the furnisher did not provide a response within the statutory time frame.

Consumer advocates argue the NCRAs have a systemic bias that defers to furnishers' records in determining whether not disputed information is accurate. They note that if a furnisher verifies previously reported information as accurate, the NCRAs will generally accord such a response greater weight than the consumer's claims that the information is inaccurate. Likewise, when the furnisher responds that the account should be modified, deleted, or deleted due to fraud, the NCRAs generally implement these responses as received. The advocates argue that NCRAs do not independently validate information contained in furnishers' records, the CFPB wrote, citing a 2009 study by the National Consumer Law Center. ([www.nclc.org/images/pdf/pr-reports/report-automated\\_injustice.pdf](http://www.nclc.org/images/pdf/pr-reports/report-automated_injustice.pdf) )

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